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SUBJECT: PAY FOR PERFORMANCE VERIFICATION OF GOALS

PERIOD: FISCAL YEAR 2007

PURPOSE:

- To verify adequate documentation supports reported percentages of goals "met."
- To identify practices and procedures to assist Water Department Customer Support Division in improving future Pay for Performance program reporting.

PROCEDURES:

- Compared goals reported on at fiscal year end to goals presented in the goal summaries at the beginning of the fiscal year.
- Judgmentally selected a sample of goals from each functional area for testing based on the results reported by management, the complexity of the goal, and our prior experience with other pay for performance programs.
- Calculated percentages of goals met, per audit.

## SUMMARY:

Water Department Customer Support Division (Customer Support) indicated 13 of the 18 goals that comprise the fiscal year 2007 Pay for Performance Program were met. We tested 10 of the 13 goals (77%) to determine if adequate supporting documentation exists to substantiate the status of those goals. We agree with the status reported for the 10 goals we tested. Payouts should be based on the percentages below:

Functional Area	% Met per Customer Support	% Met per Audit	Difference
Division Administration	66.67%	66.67%	0.00%
Customer Service - Office	50.00%	50.00%	0.00%
Field Services and Investigations	75.00%	75.00%	0.00%
Meter Services	75.00%	75.00%	0.00%
Water Resources Management	100.00%	100.00%	0.00%

## FINDINGS AND RECOMMENDATIONS:

### Finding 1:

Division Administration's (Admin) goal number three was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number three states the criteria for goal achievement as "Responding to 90% of customer initiated complaints incoming via telephone contact or written correspondence within 21 days." The goal further states "Complaints not tracked in the data base...count against the achievement of this measure." There is no way to verify if any complaints were not entered into the database. Admin reported 177 out of 188 complaints were responded to within 21 days, resulting in a 94.1% completion rate. The data provided by Admin reported 177 out of 189 complaints were responded to within 21 days, resulting in a 93.7% completion rate. One of 24 complaints selected for test work was not responded to within 21 days. When projecting this error across the entire population, the percentage decreases to 89.8%. This level of activity still results in 100% goal achievement.

In addition, several months of supporting data (will pay cards) were disposed of prior to the audit.

### Recommendations:

We recommend thoroughly reviewing source documents and reports generated by the employees responsible for the goals to ensure that the final results summary is accurately prepared. Admin's document retention policy should be revised to ensure proper support is maintained. Ensure the population for all goals can be supported. The goal summaries should specifically state whether the rounding of results is acceptable.

### Finding 2:

Meter Services' goal number four was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number four states the criteria for goal achievement as "Work Order data must match against field conditions and must be verified and compared against databases." The goal further specifies that

"supervisors must fill out the 'Bid to Goal Quality Control Worksheet' and submit to contact monthly." The goal summary does not specify a minimum percentage of accuracy required for goal achievement but the minimum required percentage of 99% is stated in the FY2007 Annual Report. Meter Services reported that, based upon the results of their random sampling, they achieved a 98.57% of accuracy for the year. This level of activity results in 100% goal achievement.

We identified discrepancies between the Bid to Goal Quality Control Worksheet and the summary of results. According to our goal contact, because the Supervisors did not have a clear understanding of which work orders had a direct effect on billing issues, the Bid to Goal Quality Control Worksheets were inaccurate. The exceptions we noted were described by Meter Services' employees as not having a direct effect on billing. This was confirmed by our Pay-for-Performance contact. However, we were unable to independently verify this assertion because the goal summary does not define the data that would or would not directly affect billing.

#### **Recommendations:**

The goal summary should agree with the Annual Report and include the percentage required for goal achievement with exact language such as "greater than or equal to 99%." Before finalizing annual goals, Meter Services should review goal summaries to ensure all information necessary to understand and measure the goal is included. The goal summaries should specifically state whether the rounding of results is acceptable.

The definition of which work orders do and do not have a direct effect on billing issues should be defined in the goal, and all employees involved with the goal should be made aware of the measurement criteria.

#### **Finding 3:**

Customer Service – Office's (Office) goal number two and Field Service and Investigation's (FSI) goal number four, a joint goal, was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

The goals state "Service restoration requests completed within goal; 91% within the same business day; 99% by the next business day." FSI reported that 17,562 out of 17,740 restoration requests were completed the same day, resulting in a 99.0% completion rate. Office reported that 17,619 out of 17,810 restoration requests were completed the same day, resulting in a 98.9% completion rate. Also, one of 40 work orders selected for test work was not completed within one business day. When projecting this error across the entire population, the percentage decreases to 96.5%. This level of activity still results in 100% goal achievement.

The goal was difficult to audit because turn-backs from the previous day were not clearly identified in the information provided by Office (will pay cards / white cards). The cards are the initial record of a customer request for water restoration. The cards did not consistently identify the time of the customer inquiry, which could impact goal completion calculations.

#### **Recommendations:**

The measurement method used to calculate goal achievement should be clearly stated on the goal summaries. The data collected by each functional area should be reconciled before submitting final results. Any discrepancies between the functional areas should be resolved before results are finalized. Office and FSI should develop a tracking system that clearly identifies same day turn-on requests and turn-backs so that goal completion can be accurately calculated and audited. In addition, Office should develop procedures to date and time stamp incoming customer requests on the will pay cards.

#### **Finding 4:**

Office's goal number three was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number three states to achieve the goal, the "Percentage of call center and water repair staff availability be 65%." The goal further states that "Lunchtime will not be counted as CSR availability time" and "CSRs must log in at the assigned start time." Office reported staff availability of 72.4%. Based upon the monthly reports provided by Office, we agree with the calculation of the monthly totals using a rolling average, but we were unable to test supporting data. In addition, there was no way to verify if the CSRs logged in at their assigned start time and if lunch breaks were counted as availability time.

**Recommendations:**

We recommend that if the specific goal criteria cannot be tracked and used in calculating goal achievement, the goal summary should be modified. The goal criteria should include only data that can be documented and measured in support of goal completion.

**Finding 5:**

FSI's goal number two was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number two states the criteria for goal achievement as "Reduce skips [for bi-monthly read accounts] by 10% per year over years based on FY 2006 as a base year. Baseline for FY 2006 is total skips for the year." The goal further specifies that the measurement method is "(Meters read) divided by (total meters on route less meters that are removed or are duplicates)." FSI reported a 34.5% reduction from FY2006 meters skipped. Our recalculation of goal results resulted in a 33.5% reduction because FSI did not use the correct formula to calculate the percentage reduction from the base year. In addition, FSI did not exclude meters removed from the calculation for goal completion. The supporting data also did not identify duplicate meters. However, this level of activity still results in 100% goal achievement.

**Recommendations:**

The calculation used to determine the reduction from the base year should be clearly defined in the goal summary. In addition, goal measurement criteria should be used in calculating goal completion. This could potentially impact goal achievement.

**Finding 6:**

FSI's goal number three was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number three states "Read all monthly read meter accounts on schedule 90% of the time." The goal further specifies that on schedule "is defined as reading the meter within plus/minus three days of the work flow date." The goal summary does not define the "work flow date." FSI reported 123,093 meters read out of 125,444 total meters (net of removed meters), for a completion rate of 98%. While we agree with measurement of the percentage of meters read, FSI did not measure the percentage of meters read on schedule. The monthly summaries provided by FSI did not indicate a time frame for the meter reads, and there were no reports available to calculate the timeliness of the meter read. FSI provided a database of all monthly read meters, including those skipped, therefore we could not identify those that should be included in the population. This level of activity still results in 100% goal achievement.

**Recommendations:**

We recommend that specific goal criteria be used in calculating goal achievement. If there is no way to determine whether meters are read on time, then the goal summary should be modified to include only measurable criteria. A monthly report should be prepared that summarizes the detailed schedules provided by the San Diego Data Processing Corporation.

#### **Finding 7:**

Water Resources Management's (Water Resources) goal number three was reported as met. We are unable to determine the status of goal achievement but our procedures did identify areas for improvement.

Goal number three states "Maintain an average cost/AF [acre foot] of water conserved at or below 25% the CWA [County Water Authority] Tier 1 treated water rate." The goal further specifies the measurement method for the goal calculation. However, the goal summary does not specify the number of gallons saved per day for the qualitative (soft) water savings used in calculating goal achievement. In addition, Water Resources did not provide signed management approval for these amounts. Therefore, we were unable to determine if the amounts were reasonable. We were unable to audit much of this goal.

#### **Recommendations:**

Water Resources' estimates for the number of gallons saved per day for qualitative (soft) water savings should be determined prior to finalizing the goal and included in the goal summary. Water Resources should maintain documentation that summarizes the methodology used to determine gallons saved per day.

#### **Finding 8:**

Meter Services' goal number two was reported as met. We are unable to determine the status of the goal achievement but our procedures did identify areas for improvement.

Goal number two states "Percentage of commercial water meters (3" and larger) meeting City of San Diego specifications on annual Preventive Maintenance test. Goal for FY 2007 is 90%." The goal further specifies that a "meter tested more than once will only be counted one time. Number of meters tested per period is tracked and the number of those meters meeting and not meeting specifications is also tracked." Meter Services reported a total population of 1,286 meters. The number of meters tested that meet the specifications were reported as 1,339, resulting in a 104% completion rate. Achieving greater than 100% was primarily due to meters being counted twice. Meter Services was unable to provide the total number of unique meters in the population, and of that total, the number that met specifications. Therefore, we were unable to calculate the goal achievement. In addition, the method used to calculate goal achievement differed from that of the goal summary. Meter Services counted meters twice and included replacements as meeting specifications.

#### **Recommendations:**

We recommend using specific goal criteria in calculating goal achievement. If there is no way to track the number unique meters that meet specifications on annual preventive maintenance as a percentage of the total number of unique meters, then the goal criteria should be revised. Due to the fact that the total number of meters frequently changes (due to removals and installations throughout the year), we recommend that the goal be worded to incorporate any anticipated changes in the population.

#### **OTHER RECOMMENDATIONS**

##### **Recommendation 1:**

Some of the goals selected could not be audited. This is typical for programs going through their first year audit. Goals should be established that can be easily verified. Controls need to be in place to mitigate any false or tampered information and goals should be set where entire populations are easily determined and can be tested.

For example, we noted these issues in the following goals:

FSI – Goal number two: There was no detailed database to support monthly summaries available during the audit.

FSI – Goal number three: There was no report available that tracked the timeliness of the meters read.

Office – Goal number three: The Aspect system data does not provide detailed records that can be tested.

Water Resources – Goal number three: The goal summary did not define measurement criteria used in calculating goal achievement. Further, there was no third party verification to substantiate the amounts used to calculate "soft savings."

#### **Recommendation 2:**

Goal definitions should be very specific and include all information necessary to calculate goal completion.

For example, we noted these issues in the following goals:

Office – Goal number three: The goal should clearly explain which employees or employee groups are included in the goal. In addition, the goal should state if 65% availability needs to be achieved each month or on average (totaling all months and dividing by 12).

Office – Goal number two and FSI – Goal number four: The goal should clearly define when a customer request is "received", and list the date/time stamp that measures when the clock starts for the goal.

Meter Services – Goal number four: The goal summary does not state the percentage required for achievement. Further, it does not clearly define which work orders have a direct affect on billing issues.

#### **Recommendation 3:**

Goal definitions should exclude extraneous information that does not apply directly to the criteria for the calculation of goal achievement.

For example, we noted these issues in the following goals:

FSI – Goals number two and three: The "Definitions" section of the goal summary included information that did not clearly relate to the understanding of the goal or to the calculation of the goal

#### **Recommendation 4:**

Supporting schedules provided should agree with the goal summaries.

For example, we noted these issues in the following goals:

Water Resources – Goal number one: The County Water Authority industry averages did not agree with the industry averages used in calculating goal achievement.

Meter Services – Goal number four: The "Bid to Goal Quality Worksheet" totals did not agree with the goal results provided by our goal contact.

Meter Services – Goal number four: The "Bid to Goal Quality Worksheet" totals did not agree with the goal results provided by our goal contact.

#### **Recommendation 5:**

Recommend continuing to improve the lines of communication. Goals should be developed with specific guidelines on the intent of the goal, how the goal will benefit Customer Support, and the documentation that will substantiate goal achievement. This information should be provided and conveyed to all employees involved and should be clearly stated.

For example, we noted these issues in the following goals:

Meter Services – Goal number two: The calculation of goal achievement should agree with the measurement method in the goal summary.

Meter Services – Goal number four: Supervisors and goal contacts should clearly understand and agree upon the Work Orders completed that could have a direct effect on billing issues, before signing off on the "Bid to Goal Quality Control Worksheet" and calculating goal achievement.

**Recommendation 6:**

There was no detailed database report that could support the results summary provided for several goals. In addition, goal contacts could not determine how data from the detail report was used to generate the results summary. We recommend, within a reasonable amount of time following the fiscal year end, that the individual responsible for tracking goal achievement create an electronic (excel) database that clearly identifies the following information:

1. The total population
2. The data within the population that meets goal achievement criteria
3. The data within the population that does not meet the goal achievement criteria

We also recommend that the same individual create a summary page indicating the results and other relevant information such as:

1. Where the report was generated
2. Any filters or parameters used to obtain the data
3. A description of the data used to track the goal (such as work orders and related work codes)
4. Any other information required to re-create the report at a later date

We recommend that this information be collected by one individual, and be signed off as part of the goal achievement. This will ensure accountability for tracking the goal achievement. This information should be made available to the auditors.

**Recommendation 7:**

Goals that have percentages for achievement should be specific. We recommend using "greater than" or "less than." In addition, we also recommend providing an example of what is considered met.

**Recommendation 8:**

We recommend amending the Pay-for-Performance Eligibility and Rules document to allow for partial achievement of goals. Two goals in 2007 were not met by a small percentage. The program encourages employees to strive for 100% status. However, a sliding scale for partial achievement of goals within an acceptable range might be a good motivational tool.

This report is intended solely for the information and use of the City of San Diego and Water Department Customer Support Division and is not intended to be and should not be used by anyone other than these specified parties.

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